

Message Text

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ACTION EA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05
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FM AMEMBASSY JAKARTA
TO SECSTATE WASHDC 3221
INFO AMEMBASSY BANGKOK
AMEMBASSY KUALA LUMPUR
AMEMBASSY MANILA
AMEMBASSY SINGAPORE

C O N F I D E N T I A L JAKARTA 11003

E.O. 11652: GDS
TAGS: ASEAN, ETRA, ID
SUBJECT: GOI REACTION TO ASEAN SUMMIT

1. SUMMARY: OUR DISCUSSIONS TO DATE WITH OFFICIALS REVEAL
CONSIDERABLE GOI SATISFACTION WITH ASEAN SUMMIT. SEAL OF
APPROVAL BY HEADS OF STATE ON MEASURED ECONOMIC PROGRESS
SO FAR ACHIEVED ACCORDS WELL WITH THE GOI VIEW THAT ASEAN
FORWARD MOVEMENT MUST BE CAREFULLY THOUGHT OUT AND MUST
NEVER BE AT THE EXPENSE OF ANY MEMBER. END SUMMARY.

2. EMBOFF MET AUGUST 15 WITH ASEAN SUMMIT DEL MEMBERS
TOMAN HUTAGALUNG, DIRECTOR, AND BUDI HARTANTYO, OF DEPART-
MENT OF FOREIGN AFFAIRS DIRECTORATE FOR MULTI-LATERAL ECONOMIC
COOPERATION. BOTH PRONOUNED THEMSELVES VERY SATISFED
WITH THE ASEAN SUMMIT AND ESPECIALLY WITH THE MEETINGS
WITH THE JAPANESE, AUSTRALIAN AND NEW ZEALAND PRIME
MINISTERS WHICH HAD FOLLWED. HARTANTYO VOLUNTEERED
THAT NOT EVERYONE WAS PLEASED WITH THE RESULTS OF THE
SUMMIT BUT SAID THIS WAS BECAUSE THEIR EXPECTATIONS HAD
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BEEN TOO HIGH. F ONE LOOKS CAREFULLY AT THE REALITY
OF THE SITUATION, HE SAID, IT IS CLEAR THT NO FURTHER
ACHIEVEMENTS WERE POSSIBLE AT THIS TIME. HE WENT ON
TO POINT OUT THAT IN A GROUP SUCH AS ASEAN THE PACE OF
PROGRESS DEPENDS ON THE SLOWEST (INDONESIA) AND ADDED
POINTEDLY THAT "SINGAPORE KNOWS THIS."

3. HUTAGALUNG SAID THE NEXT STEPS FOR ASEAN WOULD INCLUDE EXPANSION OF THE LIST OF PRODUCTS TO BE TRADED PREFERENTIALLY FROM THE CURRENT 71. HE IMPLIED THAT THE GOI WOULD NOT WISH TO PROCEED ANY MORE QUICKLY WITH THE NEXT ROUND OF TARIFF CUTS THAN IT HAD WITH THE FIRST. THE PAIR NOTED THAT SINGAPORE, THAILAND AND THE PHILIPPINES ARE "NOT VERY HAPPY" THAT THE TARIFF CUTS THEY ARE OFFERING TO INDONESIA AND MALAYSIA ON 1700 PRODUCTS ARE NOT BEING RECIPROCATED; HOWEVER, HARTANTYO POINTED OUT THAT IF SINGAPORE AND THE OTHERS WISH TO OFFER PREFERENTIAL RATES TO INDONESIA, HIS GOVERNMENT SAW NO REASON TO SPURN THE OFFER. ASKED TO CITE OTHER AREAS OF POTENTIAL EARLY MOVEMENT, HUTAGALUNG MENTIONED THE INDUSTRIAL PROJECTS, BUT HE READILY CONCEDED THAT THERE WERE PROBLEMS. HE ADMITTED THAT THE PHILIPPINE PROPOSAL APPEARS UNFEASIBLE AND AGREED ALSO THAT THE SINGAPORE PROJECT LOOKED DOUBTFUL. ASKED WHETHER SINGAPORE COULD INDEED PROCEED WITH THE PROJECT, HUTAGALUNG REPLIED THAT ONLY THE GOS COULD ANSWER THAT QUESTION. HARTANTYO FOLLOWED UP WITH THE COMMENT THAT ASEAN PROJECTS ARE NOT INTENDED TO SUPPLANT NATIONAL PROJECTS.

4. TURNING TO THE ASEAN-US DIALOGUE, HUTAGALUNG SAID HE FELT ASEAN ATTACHED AT LEAST EQUIVALENT, IF NOT GREATER, IMPORTANCE TO THE US TALKS THAN TO THE JAPANESE. CONFIDENTIAL

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HE FELT ASEAN WOULD REQUEST FROM THE U.S. NO LESS THAN IT HAD FROM JAPAN. HE ADDED THAT THE ASEAN DESIRE TO RAISE THE LEVEL OF REPRESENTATION IN THE U.S. DIALOGUE STEMMED FROM THE IMPORTANCE IN WHICH IT HOLDS THE U.S. MOREOVER, HE HOPED THAT THE FIRST SESSION WOULD NOT BE MERELY A GET ACQUAINTED SESSION OR ONE ONLY TO FORMALIZE THE RELATIONSHIP, AS WAS THE CASE WITH JAPAN, BUT RATHER A SESSION THAT ACHIEVES CONCRETE RESULTS. ASKED TO SINGLE OUT THE ISSUE OF GREATER IMPORTANCE TO THE GOI IN THE U.S. DIALOGUE, HUTAGALUNG SAID HE COULD NOT. INVESTMENT, TRADE AND COMMODITY ISSUES ALL RECEIVE THE HIGHEST PRIORITY FROM HIS GOVERNMENT.

5. REFERRING TO THE AGREEMENT TO STRENGTHEN THE ASEAN SECRETARIAT, HUTAGALUNG SAID THE GOI DESIRES TO GIVE THE SECGEN MORE EXECUTIVE FUNCTIONS. THESE HE DEFINED TO MEAN AT LEAST THE ABILITY TO DISCUSS ISSUES AND PROJECTS WITH OUTSIDE BODIES. HE WAS CAREFUL TO POINT OUT THAT THIS DID NOT MEAN DECISION-MAKING POWER, BUT MERELY THAT DHARSONO SHOULD BE ABLE TO TALK MORE FREELY. HE WAS SKEPTICAL THAT THE SECRETARIAT WOULD IN FACT BE STRENGTHENED SIGNIFICANTLY IN THE NEAR

FUTURE.

6. IN AN EARLIER CONVERSATION WITH ECONCOUNS, ANOTHER MEMBER OF THE INDONESIAN DELEGATION (BANK OF INDONESIA MANAGING DIRECTOR ARIFIN SIREGAR) FELT THAT THE SUMMIT HAD GONE VERY WELL DESPITE BEHIND-THE-SCENES PROBLEMS WITH THE SINGAPORIANS, WHOM HE DESCRIBED AS THE "ODD MAN OUT" IN ASEAN. HE SAID THAT LEE KWAN YEW HAD MADE TOO MUCH OF THE DIESEL PROBLEM AND THE TRADE PREFERENCE LIST, AN OBSERVATION MADE TO US ALSO BY LIM BIAN KIE OF THE CSIS. NOTWITHSTANDING THESE ISSUES, SIREGAR FELT CERTAIN THAT SOME PROGRESS WOULD BE MADE ON ASEAN PROJECTS. HE WAS ALSO ENCOURAGED BY THE AGREE-MENT REACHED BY ASEAN CENTRAL BANKS FOR A \$100 MILLION
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FOREIGN EXCHANGE SWAP ARRANGEMENT.

7. EMBOFFS HAVE APPOINTMENTS IN VERY NEAR FUTURE WITH INFLUENTIAL GOI DEL MEMBERS DR. SUHADI AND DR. MOOY WHICH WILL ENABLE US TO OFFER FURTHER REPORTS AND COMMENT ON GOI REACTION TO THE SUMMIT.
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